

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 035499

16

ORIGIN ARA-10

INFO OCT-01 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FPC-01 H-01 INR-07 INT-05 L-02

NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03 SP-02 SS-15

STR-01 TRSE-00 FRB-03 FEA-01 /081 R

DRAFTED BY ARA/ECP:RHSTERN:LT

APPROVED BY ARA/ECP:GROLSSEN

ARA/CAR:JBURKE

ARA/ECP:WFALKNER

ARA/ECP:WEKNEPPER

EB/IFD/OOF:RSGELVARD (SUBSTANCE)

----- 055346

R 150340Z FEB 75

FM SECSTATE WASHDC

TO AMEMBASSY BRIDGETOWN

AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

AMEMBASSY NASSAU

AMEMBASSY PORT AU PRINCE

AMEMBASSY PORT OF SPAIN

INFO AMEMBASSY CARACAS

AMCONSUL CURACAO

AMCONSUL PARAMARIBO

LIMITED OFFICIAL USE STATE 035499

E.O.11652:GDS

TAGS: EFIN XL, VE

SUBJECT: VENEZUELAN OIL SCHEME

REFS: (A) SANTO DOMINGO 0617 (NOTAL),

(B) STATE 282966 OF 12/16/74

1. REF A INDICATES VENEZUELAN INTENTION TO OFFER CARIBBEAN COUNTRIES FINANCIAL RELIEF FROM HIGH OIL PRICES. SCHEME AS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 035499

OUTLINED APPEARS SIMILAR IF NOT IDENTICAL TO THAT OFFERED

CENTRAL AMERICA AND PANAMA (REF B). HOWEVER, SOME DETAILS DIFFER, AND IN THE INTEREST OF PROVIDING ADDRESSEES WITH CURRENT ANALYSIS OF OPERATING MECHANISM AND POSSIBLE PROBLEMS INHERENT IN SCHEME, THE PROPOSAL IS OUTLINED IN DETAIL IN FOLLOWING PARAGRAPHS.

2. KEY TO VENEZUELAN PROPOSAL TO CENTRAL AMERICA IS ASSIGNMENT OF SPECIFIC CRUDE OIL QUOTA TO EACH IMPORTING COUNTRY. THIS QUOTA IS BASED ON ACTUAL 1974 IMPORTATION OF CRUDE FROM VENEZUELA. NO REPEAT NO REFINED PRODUCT IMPORTS ARE INCLUDED. NO ANNUAL GROWTH IN THE QUOTA IS PERMITTED. INSTEAD QUOTA REDUCES TO ZERO BY DECLINING AT 16.67 PERCENT PER ANNUM OVER A SIX-YEAR PERIOD.

3. EACH RECIPIENT PAYS FOR ITS QUOTA OF CRUDE IN TWO TRANCHES. THE FIRST AT THE RATE OF DOLS. 6 PER BARREL WOULD BE PAYABLE IN NORMAL COMMERCIAL MANNER. UNDER THE

SECOND TRANCHE THE DIFFERENCE BETWEEN ACTUAL LANDED COST AND DOLS. 6 PER BARREL WOULD BE REBATED TO RECIPIENT FOR USE AS BOP RELIEF AND/OR DEVELOPMENT PROGRAMS. THE EXACT MEANS OF PAYMENT BY CENTRAL AMERICA AND PANAMA OF THE SECOND TRANCHE TO VENEZUELA IS UNCLEAR TO US AT THIS TIME. WE DO NOT KNOW IF REAL TRANSFERS TAKE PLACE OR, IF THE SECOND TRANCHE PAYMENT IS A BOOKKEEPING EXERCISE. OBVIOUSLY, IF THE BENEFICIARY COUNTRIES MUST MAKE REAL TRANSFERS AT TIME OF PURCHASE, THE BENEFIT OF REBATES IS DEFERRED.

4. IN ANY EVENT, THE FUNDS (EITHER REAL OR DENOMINATED) ARE CREDITED TO THE VENEZUELAN CENTRAL BANK WHICH, ON A QUARTERLY BASIS DEPOSITS THE SECOND TRANCHE FUNDS IN THE VENEZUELAN INVESTMENT FUND. THESE MONIES ARE DENOMINATED HALF IN DOLLARS AND HALF IN BOLIVARES. THE FUND THEN RELEASES THE SECOND TRANCHE MONEY TO THE RECIPIENT COUNTRY IN RETURN FOR A CERTIFICATE OF DEPOSIT ISSUED BY THAT COUNTRY'S CENTRAL BANK. THE CD IS IN FAVOR OF THE FUND AT 8 PERCENT INTEREST, SIX YEAR TERM.

5. THUS, IN THE FIRST INSTANCE, THE RECIPIENT CB HAS SIX LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 035499

YEAR MONEY TO USE FOR BOP PURPOSES (IN REALITY, SHOULD THE CB COUNT THE FUNDS AS PART OF ITS OVERALL FOREIGN EXCHANGE RESERVES, IT MAY USE THEM IN ANY WAY IT SEES FIT). THE COMPLEXITY OF THE MECHANISM FOR ACQUIRING SIX YEAR MONEY IS ADDED TO IF THE RECIPIENT COUNTRY WISHES TO CONVERT THE FUNDS TO LONG-TERM DEVELOPMENT LOANS.

6. FIRST, THE COUNTRY MUST APPLY TO VENEZUELA FOR AUTHOR-

ITY TO USE THE FUNDS FOR SUCH PURPOSES. VENEZUELA HAS SPECIFIED THAT APPROVAL WILL BE GRANTED WHEREIN THE FUNDS ARE TO BE USED AS COUNTERPART FOR DEVELOPMENT PROJECTS FUNDED BY INTERNATIONAL FINANCE INSTITUTIONS (USAID IS INCLUDED IN THIS CATEGORY).

7. AFTER PROJECT APPROVAL, CB BUYS BACK ITS CD (PAYING APPLICABLE INTEREST) AND REBORROWS SAME AMOUNT AT 25 YEAR TERM AND 8 PERCENT INTEREST. ADDITIONAL CHARGES FOR ADMINISTRATION OF LOANS ARE ALSO FORSEEN BY VENEZUELANS AND PRESUMABLY THE FUND WILL REQUIRE REPRESENTATIVE TO BE STATIONED IN EACH COUNTRY TO OVERSEE LOAN PROGRAM.

8. GIVEN THE RELATIVELY SMALL OIL IMPORT BILLS OF ADDRESSEES AND COMPLICATING FACTOR OF FELLOW OPEC MEMBER TRINIDAD AND TOBAGO WITHIN REGION, VENEZUELA MAY MODIFY SCHEME TO AVOID FRICTION AND APPEARANCE OF INTERFERING IN T AND T'S NATURAL MARKET.

ACTION REQUESTED: ADDRESSEES ARE REQUESTED TO INFORM DEPARTMENT OF ANY VENEZUELAN OFFERS TO HOST GOVERNMENT IN THIS CONNECTION AND ANY OTHER DATA WHICH MIGHT IMPROVE OUR UNDERSTANDING OF THE PROPOSAL. ADDRESSEES ARE REQUESTED TO REPORT TELEGRAPHICALLY A PRELIMINARY ANALYSIS OF THE IMPACT SCHEME MIGHT HAVE ON HOST COUNTRY BOP AND/OR DEVELOPMENT PROGRAMS. POSTS SHOULD ADHERE TO POLICY GUIDELINES STATED REF B IF QUERIED BY HOST GOVERNMENT FOR USG REACTION. INGERSOLL

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, CREDIT AGREEMENTS, IMPORT QUOTAS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 15 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE035499
Document Source: CORE
Document Unique ID: 00
Drafter: RHSTERN:LT
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750056-0693
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750238/aaaabicq.tel
Line Count: 143
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: (A) SANTO DOMINGO 0617 (NOTAL)
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 09 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 JUN 2003 by KelleyW0>; APPROVED <18 DEC 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ENEZUELAN OIL SCHEME
TAGS: EFIN, ENRG, XL, VE
To: BRIDGETOWN MULTIPLE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006